



1914

## U. S. SECURITIES GOVERNMENT FINANCE AND RESERVE BANK ORGANIZATION

NEW YORK, MAY, 1914.

**P**ROSPECTS of a war with Mexico naturally lead to a consideration of the present condition of the Federal Treasury as well as the means of raising funds. The net balance in the general fund of the Treasury is now, roundly \$83,000,000. Of this sum about

Treasury  
Condition  
and  
Prospects.

\$52,000,000 is to the credit of the Treasurer of the United States in National Bank depositaries, leaving a net balance in cash in Treasury vaults of \$31,000,000. But included in Treasury cash assets are, approximately, \$26,000,000 subsidiary silver coin, fractional currency, minor coin and silver bullion. Strictly speaking, this sum must be regarded as unavailable for purposes of settlement. The free and available cash at the moment is therefore, roundly \$5,000,000. This under the old form of Treasury statement, in vogue prior to the administration of Secretary MacVeagh, would have been regarded as the Treasurer's working balance. During the administration of Secretary MacVeagh a radical change was effected in the manner of collecting and disbursing the revenues. It was formerly the practice to collect Government receipts through the banks, but disbursements were made direct by the Treasury at Washington or by the Assistant Treasurers in nine Subtreasury cities. Prior to the adoption of the plan of making payments through the banks, it was necessary that the Treasury should keep on hand at all times a large working balance, and it was generally regarded as necessary that in addition to the Treasurer's holdings of subsidiary silver, fractional currency, minor coin and bullion, there should be in other forms of money at all times as much as \$25,000,000 or \$30,000,000. On any sum less than this it required fairly rapid shifting of balances from one Treasury office to another in order to keep these offices in funds for the purpose of making disbursements.

It will be seen from the figures given above, which were taken from the latest Treasury statement, that the Government is now able to transact its business with as small a working balance as \$5,000,000 over and above the holdings of subsidiary silver, etc. And as a matter of fact it could probably, for a time at least, do business upon the subsidiary balance, notwithstanding its unavailability in making settlements.

The amount of actual Treasury cash could be replenished at any time by calling on the depositary banks for a portion of their holdings, but this

could not be done without considerable hardship to the banks in view of the use now made of them in collecting revenues and making payments. To reduce materially balances in bank might result in impairing the efficiency of the present collecting and disbursing system.

### Government Receipts and Expenditures.

So far as Government receipts and disbursements are concerned, the ten months of the current fiscal year already passed show, including expenditures on account of the Panama Canal, a deficit of \$60,000,000. This compares with a deficiency for the same period last year of \$25,000,000. As was anticipated at the time of the passage of the new Tariff Act, which went into effect October 1, 1913, there has been a large decrease in customs receipts, the falling off in this respect amounting to \$26,000,000 for the ten months period, as compared with the same period last year. Nearly all the decrease has taken place since October 1, last. Internal Revenues are holding their own, and in fact show an increase over the same period last year of \$4,000,000. With a decline in miscellaneous items of roundly \$3,000,000, the net result as to revenues from all sources shows a decrease of \$25,000,000. On the other hand, expenditures on all accounts show an increase of \$10,000,000 over the same period a year ago.

The results to date are substantially in accordance with the estimate made by the Secretary of the Treasury at the beginning of the session of Congress in December 1913. The Treasury then estimated that for the whole of the fiscal year to end June 30, 1914, the customs revenues would produce \$270,000,000, as compared with actual receipts from this source of \$318,891,000 for the fiscal year ended June 30, 1913, an estimated decrease of \$49,000,000. The total revenues for the fiscal year ended June 30, 1913, were \$724,111,000, to which the customs contributed \$318,891,000 and Internal Revenues \$344,416,000, of which \$309,410,000 was classified as ordinary revenue and \$35,006,000 as corporation taxes. From miscellaneous sources there was realized \$57,892,000 and \$2,910,000 from the sale of public lands.

The total ordinary disbursements for the year ended June 30, 1913, were \$682,770,000, leaving an excess of ordinary receipts of \$41,340,000; but the disbursements on account of the Panama Canal from the general fund of the Treasury were \$41,741,000, leaving a net deficiency for the year of \$400,733.

Those desiring this circular sent to them regularly will receive it without charge upon application.

For the current fiscal year the Secretary's estimate of receipts from ordinary sources is \$736,000,000, and of disbursements \$701,900,000 leaving an estimated surplus on ordinary account of \$34,100,000. But expenditures from the general fund for the Panama Canal for the current year are estimated at \$41,000,000, leaving an estimated net deficiency for this year of \$6,900,000. In estimating the revenues for the current year, the Treasury has included \$8,000,000 collected on account of the corporation excise tax for July 1913 and \$33,000,000 income tax from corporations to be collected under the new law, while the income tax to be collected from individuals is placed at \$54,000,000. It is believed that the estimate for revenues for this year from income tax is too high and will fall short possibly \$4,000,000. With the deficiency for the ten months now passed \$60,000,000 and customs likely to continue to show declining receipts, as compared with last year; but with, say, \$83,000,000 yet to be collected on account of income tax from corporations and individuals, the Secretary's estimate for a deficiency for the year of \$6,900,000 may not be far out of the way.

#### Outlook for Next Fiscal Year.

For the fiscal year to end June 30, 1915, the Treasury has estimated total revenues of \$728,000,000, distributed as follows: From Customs \$249,000,000, Internal Revenue \$315,000,000, income tax from corporations \$40,000,000, income tax from individuals \$65,000,000, sales of public lands \$3,000,000, and miscellaneous sources \$56,000,000. For the fiscal year 1915 the Treasury has estimated ordinary expenditures at \$702,000,000, and disbursements on account of the Panama Canal at \$26,000,000, leaving the Government at the end of that year even as between receipts and expenditures. Estimates for the year 1915, however, are of no great value except as to receipts, and only of value as to these by assuming that conditions at the time the estimates were made will remain substantially the same during the year for which they were made. As to expenditures, this is a matter which rests with Congress, and Treasury estimates are therefore largely academic.

From the above review of Treasury conditions and prospects enough may be gathered to indicate that even with no interruption in the course of the revenues the Treasury is not likely to be troubled over a surplus; and in the event of war it must seek, either through loans or additional taxation, larger supplies of money.

#### Existing Bond Authority.

The Treasury now has authority to issue two classes of bonds, the proceeds of which would be applicable for war purposes.

Under Section 39 of the Tariff Act of August 5, 1909, it had authority to issue \$290,568,000 in bonds payable fifty years from the date of issue and bearing interest at the rate of three per cent. per annum, to be sold at not less than par. Of these bonds it has already issued \$50,000,000—the Panama 3s of 1961, leaving \$240,568,000 which it may yet issue. At this time there has been expended from the general fund of the Treasury for the Canal

\$208,668,000, for which the Treasury is entitled to reimbursement. The proceeds of these bonds, in whole or in part, once lodged in the general fund of the Treasury, would be available for appropriation by Congress for any purpose whatsoever. By subsequent legislation these bonds were declared not available as security for National Bank circulation. Inasmuch as the Federal Reserve Act, under which a new banking system is now being organized, contains provisions looking to the gradual retirement of National Bank circulation, it is not likely that Congress would invest the Panama 3s or any other bonds, the issue of which might yet be authorized, with the circulation privilege.

#### Certificates of Indebtedness.

By Section 40 of the Tariff Act of August 5, 1909, the Secretary of the Treasury is authorized to borrow, at a rate of interest not exceeding three per cent. per annum, such sums as in his judgment may be necessary to meet public expenditures, and to issue therefor certificates of indebtedness, not exceeding \$200,000,000, to run not exceeding one year from the date of issue. This is a valuable power which was originally incorporated in the War Revenue Act of 1898 and reenacted in the Tariff Act of August 5, 1909, to which resort might be had at any time for the purpose of raising funds temporarily.

#### Legislative Measures for Raising Additional Revenues.

It will be remembered that the War with Spain resulted in an issue of \$200,000,000 three per cent. bonds, now known as the loan of 1908-18. These bonds were, and are, available as security for National Bank circulation. Of the original loan there are outstanding at this time \$63,945,465.

The War with Spain also produced what was known as the War Revenue Act of 1898, and was entitled "An Act to Provide Ways and Means to Meet War Expenditures." It levied special taxes on banks and bankers; commercial and custom house brokers; proprietors of theatres, museums, concert halls, circuses, bowling alleys, pool rooms; additional taxes on tobacco, cigars, cigarettes, snuff; and on tobacco dealers and manufacturers. It levied a stamp tax on bank checks, bills of exchange, drafts, certificates of deposit, bills of lading, insurance policies, leases, mortgages, agreements, telephone messages, warehouse receipts, steamship tickets, etc., and on stocks, bonds, debentures, certificates of indebtedness, etc. There was also a tax on medicinal proprietary articles and preparations, chewing gum, etc.; and an excise tax on persons, firms and corporations engaged in refining petroleum and sugar; and on legacies and distributive shares of personal property. A tax was also levied on mixed flour and on tea. Additional taxes were levied on ale, beer, spirits, liquors, etc.

The Act was productive of abundant revenues for the purpose indicated. During the four years and two months it was in operation it produced \$380,371,764. The Act became effective the day following its passage, that is on April 13, 1898, and it was repealed April 12, 1902, to take effect July 1, 1902.

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THE NATIONAL CITY BANK OF NEW YORK.





## Income Tax Possibilities.

Another way of increasing revenues for war purposes might be found in connection with the income tax, either in the direction of imposing greater burdens on those who are now paying the tax or by fixing the amount of income exempt from taxation at a lower figure than the \$3,000 and \$4,000 limit which now prevails. It is supposed that the present income tax law applies to a little more than 400,000 persons. With a tax imposed on those whose incomes exceed \$1,000 per annum, a vastly greater amount of revenue would no doubt be turned into the Treasury than is about to be collected with the exemption fixed at \$3,000 and \$4,000.

## Call for Subscriptions.

The Secretary of the Organization Committee on April 8, 1914, sent the following communication regarding stock subscription to prospective member banks:

On behalf of the Reserve Bank Organization Committee I beg to direct your attention to that part of Section 2 of the Act of Congress known as the Federal Reserve Act, approved December 23, 1913, which reads as follows:

"When the Organization Committee shall have designated the cities in which Federal Reserve banks are to be organized, and fixed the geographical limits of the Federal reserve districts, every national banking association within that district shall be required within thirty days after notice from the Organization Committee, to subscribe to the capital stock of such Federal Reserve Bank in a sum equal to six per centum of the paid-up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the Organization Committee or of the Federal Reserve Board, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates."

In accordance with the provisions of this Section and by direction of the Committee you are hereby notified that your subscription to the capital stock of the Federal Reserve Bank of ..... should be forwarded to this office within thirty days from date. The approved form of application has been sent you by the Comptroller of the Currency.

As it is important that the organization of this bank shall be completed as early as possible, you are requested to forward your subscription promptly. The cooperation of applying banks will materially facilitate the organization of the Federal Reserve banks and enable member banks to avail themselves of the advantages of the Federal Reserve system by bringing into operation those provisions of the Federal Reserve Act which become effective and operative when such Federal Reserve banks shall have been organized.

## Comptroller Transmits Stock Application.

The Comptroller of the Currency on April 8, 1914 transmitted the following communication to prospective member banks:

The certificate filed with this office by the Reserve Bank Organization Committee, pursuant to Section 4 of the Act of Congress known as the Federal Reserve Act, approved December 23, 1913, designating twelve Federal Reserve cities and defining the geographical limits of the districts to be served by such cities, describes District No. ...., as follows:

(Here follows the description of the district.)

Since your bank is located in this district, I am enclosing herewith, in accordance with Section 4 of the act aforesaid, duplicate forms of application for stock in the Federal Reserve Bank of ....., which form has been approved by the Committee.

As soon as your board has passed the resolution prescribed by the Committee and contained in this form, you are requested to execute, as early as possible, this application and mail it to the Reserve Bank Organization

Committee in the enclosed envelope, which requires no postage.

Your prompt attention will expedite the organization of the Federal Reserve Bank for your district. You are accordingly requested to execute and return this application without delay.

## Stock Subscription Memorandum.

The Organization Committee issued the following "memorandum for the press" on April 13, 1914:

The Federal Reserve Act provides that when the Organization Committee shall have designated the cities in which Federal Reserve banks are to be organized, and fixed the geographical limits of the Federal Reserve districts, every national banking association within that district shall be required within thirty days after notice from the Organization Committee, to subscribe to the capital stock of such Federal Reserve Bank in a sum equal to six per cent. of the paid up capital stock and surplus of such bank, one-sixth of the subscription to be payable on call of the Organization Committee or of the Federal Reserve Board, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Federal Reserve Board, said payments to be in gold or gold certificates.

In compliance with this provision, the Secretary of the Organization Committee has notified all banks which have signified their intention to become members of the system, to send in their subscriptions to stock, which notice accompanied notice from the Comptroller enclosing the form of subscription to be executed.

A large number of banks have interpreted this notice to subscribe as a call for the payment of the first instalment of such subscription and checks and currency are being received by the Committee.

It is not the purpose of the Committee, however, to call for the payment of subscription until the details of the organization are more nearly completed and banks are ready to be placed in operation.

Accordingly, all such cash payments are being returned promptly and the banks will probably be circularized immediately in order that it may be made clear that the notice to subscribe does not constitute a call for the payment of such subscription.

## Explanation Transmitting Stock Application.

Applications for stock have been sent by the Committee to National Banks, and a separate form to State Banks and Trust Companies, accompanied by the following communication:

The Committee having received copy of resolution of your board of directors signifying the intention of your association to subscribe to the capital stock of the Federal Reserve Bank of your district, I am inclosing herewith, in accordance with the provisions of the Federal Reserve Act, form of application, in duplicate, which has been approved by the Committee for use by State Banks and Trust Companies in applying for stock in the Federal Reserve Bank now organizing in the district in which your association is located.

In filling out this application you are requested to follow carefully the printed instructions, and your attention is particularly directed to the note on the last page in reference to the number of shares to be applied for. Your attention is also called to the fact that in addition to filling out and having certified the statement of condition of your bank, this application should be accompanied by a copy of your charter, with amendments, together with a digest or analysis of same showing:

First: The general powers granted to your association, as a corporation doing business in your State, which you are now exercising and which you will desire to continue to exercise, so far as permitted by the Federal Reserve Act.

Second: Those powers which, while granted, your association will not exercise should it become a member of the Federal Reserve system.

It is the desire of the Committee that the Federal Reserve banks shall be placed in operation as early as practica-

ble and as it is assumed that you will desire to vote on the election of Class A and Class B directors should your application for membership be approved you are requested to return one copy of this application duly executed at the earliest possible moment.

### Receipt for Subscription.

The following is the receipt which will be issued for stock subscriptions:

District No. 1 No. Shares..... 1914.

Receipt is acknowledged of your application for and subscription to..... shares of the capital stock of the FEDERAL RESERVE BANK OF BOSTON, now organizing, and you are hereby notified that the Reserve Bank Organization Committee has allotted to you the number of shares applied for, your subscription, in accordance with the provisions of the Federal Reserve Act, being for an amount equal to 6 per cent. of your unimpaired capital and surplus as shown by your application, duly certified, dated....., 1914.

In due course you will be notified by the Organization Committee or by the Federal Reserve Board when and in what manner to make payments.

### Form of Resolution.

District No..... Charter No..... No. of shares.....

#### APPLICATION FOR STOCK IN THE FEDERAL RESERVE BANK OF.....

At a meeting of the Board of Directors of the..... National Bank of..... duly called and held on the..... day of....., 1914, the following resolution was offered, seconded and duly adopted:

WHEREAS, in accordance with Section 2 of the Act of Congress known as the Federal Reserve Act, approved on the 23d day of December, 1913, this bank duly notified the Reserve Bank Organization Committee of its intention to accept the provisions of the said Act and to subscribe to its proper proportion of the capital stock of the Federal Reserve Bank to be organized in this district;

AND WHEREAS, notice has been received from the Comptroller of the Currency that according to the certificate filed by said Organization Committee with the Comptroller designating the several Federal Reserve cities and defining the geographical limits of the districts to be respectively served by the Federal Reserve banks located in such cities, this bank is located in District No....., which district will be served by the Federal Reserve Bank of.....;

AND WHEREAS, six per cent. of the unimpaired capital and surplus of this association amounts to..... Dollars;

NOW THEREFORE, BE IT RESOLVED, that the president or vice-president and cashier of this bank be, and they are hereby authorized, empowered and directed to make application for and to subscribe to..... shares, of a par value of \$100 each, of the capital stock of the Federal Reserve Bank of..... now organizing, and to pay for such stock in accordance with the provisions of Section 2 of the said Federal Reserve Act as and when called upon by the Reserve Bank Organization Committee or by the Federal Reserve Board.

I hereby certify that the foregoing is a true and correct copy of a resolution passed by the Board of Directors of this association on the date specified.

..... Cashier,  
..... National Bank of.....

Pursuant to the foregoing resolution the..... National Bank of..... hereby subscribes to and makes application for..... shares of the capital stock of the Federal Reserve Bank of..... of a par value of \$100 each, amounting to \$....., and agrees to pay for same in accordance with the provisions of the Federal Reserve Act.

..... NATIONAL BANK OF..... President,  
(SEAL) By.....

Attest:..... Cashier,  
To the RESERVE BANK ORGANIZATION COMMITTEE,  
Washington, D. C.

We, the undersigned, hereby certify that this bank has an unimpaired capital of \$..... and surplus of \$..... as shown by the books at the close of business on the..... day of....., 1914.

(To be signed by three or more directors.)

.....  
.....  
..... Directors,

NOTE.—If 6 per cent. of the capital and surplus above shown amounts to a sum not divisible by 100, any excess or fractional part of \$100 will entitle the applying bank to one additional share of stock. Accordingly in filling out the subscription on the reverse side of this form, the sum representing 6 per cent. of the capital and surplus should be divided by

100 in order to obtain the number of shares to be applied for, and if an excess of less than \$100 remains, one additional share should be added to the application, and included in the subscription of stock to be paid for at par in accordance with the provisions of the Federal Reserve Act.

#### LOCATION OF APPLYING BANK.

(Please fill in.)

City or Town.....  
County.....  
State.....

(Do not fill in below this line.)

Capital and surplus checked by.....  
Entered in Register by.....  
Number of shares verified by.....  
Subscription entered in ledger by.....  
Acknowledgment mailed by.....  
Filed by.....

The form for State Banks and Trust Companies is the same as the above with the addition of blanks showing resources and liabilities, to be attested by a majority of the directors and by the examiner.

### Loans on Farm Lands.

On April 15, the Comptroller of the Currency sent out the following communication on farm land loans:

You are advised that Section 24 of the Federal Reserve Act provides that:

"Any National Banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land, situated within its Federal reserve district, but no such loan shall be made for a longer time than five years, nor for an amount exceeding fifty per centum of the actual value of the property offered as security. Any such bank may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same."

National Banks may, therefore, now legally make loans secured by real estate, provided they conform to the requirements of the law, including the following:

1. Real estate security must be FARM LAND;
2. It must be IMPROVED;
3. There must be no PRIOR LIEN;
4. Property must be located in the SAME FEDERAL RESERVE DISTRICT AS THE BANK making the loan;
5. The amount of the loan must NOT EXCEED 50 PER CENT. OF THE ACTUAL VALUE OF THE PROPERTY upon which it is secured;
6. The loan must not be for a period longer than five years;
7. The total of such loans by any bank must not exceed one-third of its time deposits, and must in no case exceed one-fourth of the capital and surplus of the bank.

In order that the examiner may readily classify real estate loans held by a bank at the date of his examination, a statement signed by the officers making the loan, and having knowledge of the facts upon which it is based, must be attached to each note, certifying in detail, as of the date of the loan, that the requirements of law have been duly observed.

It is interesting to note that the ruling of the Comptroller seems to fix a single standard to which banks are limited in making such loans by saying:

"The total of such loans by any bank must not exceed one-third of its time deposits and must in no case exceed one-fourth of the capital and surplus of the bank."

While the statute reads:

"Any such bank may make such loans in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits."

### Protests in Congress.

The selection of districts and naming of reserve cities has caused what have been termed in the Senate "loud protests to come up from the country." Resolutions of censure against the decisions of the committee have been adopted by the commercial bodies of various cities, including Baltimore and New Orleans, and Senators and Rep-



representatives have placed these documents in the Congressional Record together with more or less caustic remarks.

The Senate has called for all of the data and information in the possession of the committee by adopting the following resolution, introduced and pressed for adoption by Senator Hitchcock of Nebraska:

"Resolved that the organization committee of the Federal Reserve Board be and is hereby directed to send to the Senate copies of all briefs and written arguments made by each city applying to the organization committee for the location of a Federal Reserve Bank, together with the poll of the banks and the reasons relied upon by the organization committee in fixing the boundaries of the reserve districts and locating the reserve cities."

During the discussion the work of the committee had its defenders in both houses of Congress.

#### Organization Committee's Reasons for District Selections.

The following statement in defense of its action was made by the Organization Committee on April 10, 1914:

Congress imposed on the Committee the duty of dividing the country into not less than eight nor more than twelve Districts, and the location of a Federal Reserve Bank in each. Thirty-seven cities asked to be chosen. The Committee could select at most only twelve. Necessarily twenty-five cities had to be disappointed.

Following its policy declared at the very outset, the Committee refused to be influenced by the purely local and selfish claims of cities or individuals, and discharged the duty imposed upon it by Congress after exhaustive investigation and study of the entire country, with unbiased minds and according to its best judgment. With so many conflicting claims, somebody had to judge. Congress constituted the Committee a Court and gave the Federal Reserve Board the power of review. Disappointed competitors should seek a remedy through the orderly processes the law prescribes.

Considerable comment has been occasioned by the failure of the Committee to create Districts suggested by New Orleans, with New Orleans as the location for a Reserve bank; by Baltimore, with Baltimore as the location for a Reserve bank; by Omaha, with Omaha as the location for a Reserve bank, and by Denver, with Denver as the location for a Reserve bank.

#### Districts more Important than Cities.

The Committee realized that the division of the country into Districts was far more important and complex than the designation of the Reserve cities, and that the latter duty was subsidiary and relatively simple, waiving considerations of local pride or prestige. In arranging the Districts the consideration of the character and growth of industry, trade and banking, no less than the traditions, habits and common understandings of the people was much more intimately involved.

It became clear, in the hearings, that comparatively few people realized, or seemed to realize what the Act was intended to accomplish; what the nature and functions of the Reserve banks were to be; and how little change would occur in the ordinary financial relations of the communities, the business establishments and the individual banks.

#### New System Misunderstood.

Critics of the decision of the Committee reveal misunderstanding in these directions, and either do not know, or appear not to know that the Federal Reserve banks are bankers' banks and not ordinary commercial banks; that

they are to hold the reserves and to clear the checks of member banks, make rediscounts for them, and engage in certain open market operations. As a matter of fact, the ordinary every-day banking relations of the community, of business men and of banks will not be greatly modified or altered. The purpose of the system is to remove artificiality, promote normal relations, and create better conditions under which everybody will transact business.

Every city can continue to do business with individuals, firms or corporations, within its own limits, or in its own region, or in any other part of the Union or the world in which it has heretofore done business.

Reserves are to be held in a new way and in new places, so far as this Act controls them, but banking and business generally will no more be confined within districts than heretofore, and it is simply misleading for any city or individual to represent that the future of a city will be injuriously affected by reason of its failure to secure a Federal Reserve Bank. Every city which has the foundations for prosperity and progress will continue to grow and expand, whether it has such a Reserve bank or not, and well informed bankers, especially, are aware of this.

The facts which the Committee had to consider will throw light on its decision in reference to these cities.

#### The Claims of New Orleans.

New Orleans selected a district extending from New Mexico to the Atlantic Ocean, including all of Texas, Louisiana, Mississippi, Alabama, Florida, Georgia, and that part of Tennessee south of the Tennessee River.

It was represented by Texas that it would do great violence to her trade to connect her with New Orleans. It was claimed and evidence was submitted in support of the claim, that her trade was with her own cities or with Kansas City and St. Louis. In a poll of the banks of Texas made by the Comptroller of the Currency, 212 banks expressed a first choice, 121 a second choice, and 30 a third choice for Dallas. No bank in Texas expressed a first choice for New Orleans, only 4 a second choice, and 44 a third choice. The whole State protested against being related to New Orleans.

The banks of Alabama generally desired to be connected either with Birmingham or Atlanta, only 3 expressing a first choice for New Orleans. The banks of Georgia desired to be connected with Atlanta, none expressing a first or second choice for New Orleans, and only 12 a third choice. They represented that it would do violence to them to be connected with a city to the west, and claimed that their relations were mainly with Atlanta or cities to the northeast. Of 44 banks in Florida, 19 gave Atlanta as their first choice, 19 as their second choice, and 5 as their third choice. Only 5 expressed a first preference for New Orleans, and these were in the Western corner; 4 a second choice, and 3 a third choice. No bank in Tennessee expressed a first or second choice for New Orleans, and only 2 a third choice, while 7 expressed a first choice for Atlanta, 14 a second choice, and 13 a third choice. Generally speaking, the only banks which desired to be connected with New Orleans and expressed a first preference for her, were 25 of the 26 banks reporting in Louisiana, and 19 of the 32 in Mississippi. On a poll made from the Comptroller's office of all banks expressing their preference as to the location for a Federal Reserve City, 124 expressed a first preference for Atlanta, 232 for Dallas, and only 52 for New Orleans. The views of the bankers were supported by Chambers of Commerce, other business organizations and by many business men.

It will thus be seen that if the Committee was to give weight to the views of business men and bankers in the section of the country affected, to consider the opposition of the States of Texas, Alabama, Georgia, Florida and Tennessee, and to be guided by economic considerations, it could not have designated New Orleans as the location for a Reserve bank to serve either the Western or the Eastern part of the district that City asked for. The course of business is not from the Atlantic seaboard towards New Orleans, nor largely from the State of Texas to that city, and if Dallas and Atlanta had been related to New Orleans, a better grounded complaint could and would have been lodged by them against the Committee's decision than that made by New Orleans.

## Bank Statistics of Atlanta, Dallas and New Orleans.

Some of the banking statistics which the Committee had to consider throw light on the problem. It should be borne in mind that the Committee could consider primarily only the statistics with reference to assenting banks. In this section of the country, as in most others, the assenting banks were the national banks. In March, 1914, the capital stock and surplus, loans and discounts, and individual deposits of the national banks in the three cities named as shown by the sworn reports to the Comptroller of the Currency were as follows:

	Capital and Surplus	Loans and Discounts	Individual Deposits
Atlanta.....	\$8,600,000	\$26,038,000	\$24,348,000
Dallas.....	5,900,000	18,622,000	18,551,000
New Orleans.....	6,730,000	17,285,000	16,857,000

Even more significant are the statistics of growth from September, 1904, to March, 1914:

### CAPITAL AND SURPLUS.

	September 1904	March 1914	Percentage of Increase
Atlanta.....	\$2,410,000	\$8,600,000	256
Dallas.....	2,676,000	5,900,000	120
New Orleans.....	6,250,000	6,730,000	8

### LOANS AND DISCOUNTS.

	September 1904	March 1914	Percentage of Increase
Atlanta.....	\$10,329,000	\$26,038,000	152
Dallas.....	7,653,000	18,622,000	145
New Orleans.....	20,088,000	17,285,000	Decrease 13

### INDIVIDUAL DEPOSITS.

	September 1904	March 1914	Percentage of Increase
Atlanta.....	\$9,931,000	\$23,348,000	145
Dallas.....	7,157,000	18,551,000	159
New Orleans.....	19,425,000	16,857,000	Decrease 13

The loans and discounts in the national banks of New Orleans at the time of the report, March 4, 1914, were less than those of the national banks of either Atlanta or Dallas.

While the Committee could not figure on the resources of other than assenting banks which are in this section, the national banks, the following statistics of all reporting banks, including national banks, state banks and trust companies, as of June 4, 1913, were regarded as significant and were given consideration:

Atlanta reported capital stock and surplus \$15,313,000, or \$98 per capita; Dallas \$9,997,000 or \$108 per capita; and New Orleans \$20,532,000 or \$60 per capita; individual deposits, per capita, Atlanta \$183; Dallas \$269; New Orleans \$209.

The loans and discounts for all reporting banks for the three cities were as follows: Atlanta \$33,494,000 or \$216 per capita; Dallas \$27,517,000 or \$299 per capita; New Orleans \$64,845,000 or \$194 per capita.

The Committee found that the total loans and discounts made by national banks in the cities named in the 13 Southern States on January 13, 1914, were as follows:

Atlanta	\$26,117,000
Dallas	19,123,000
New Orleans	19,477,000

while the total loans made by the national banks of Dallas throughout the entire United States on the date mentioned exceeded the loans made by the national banks of New Orleans.

Special reports made under oath to the Comptroller of the Currency also show that on February 14, 1914, the credit balances of the banks and trust companies in the 13 Southern States with the national banks of Dallas exceeded in amount the credit balances of all banks and trust companies in these same states with the national banks of New Orleans.

In view of the comparisons and criticisms from New Orleans in connection with the designation of Dallas, Atlanta and Richmond, and the omission of New Orleans and Baltimore, the following table is instructive.

## NATIONAL BANK STATISTICS

FOR

### STATES OF TEXAS, VIRGINIA, MARYLAND, GEORGIA, LOUISIANA AND MISSISSIPPI

as of March 4, 1914.

according to sworn reports made to the Comptroller of the Currency

	Area sq. miles	Population Census 1910	Capital and Surplus	Individual Deposits	Loans and Discounts
State of TEXAS (Including Dallas).....	265,780	3,896,542	\$76,785,584	\$197,663,338	\$215,114,326
State of VIRGINIA (Including Richmond).....	42,450	2,061,612	29,732,696	90,887,858	107,410,063
State of MARYLAND (Including Baltimore).....	12,210	1,295,346	28,267,420	83,217,376	91,326,942
State of GEORGIA (Including Atlanta).....	59,475	2,609,121	24,479,735	51,382,061	61,852,579
State of LOUISIANA (Including New Orleans).....	48,720	1,656,388	12,128,866	32,000,521	34,804,354
State of MISSISSIPPI .....	46,810	1,797,114	5,168,192	17,045,324	13,669,200

From the above statement it will be seen that in each item, capital and surplus, individual deposits and loans and discounts, the national banks of Virginia, including Richmond, largely surpass the national banks of Maryland, including Baltimore.

The capital and surplus of the national banks of the State of Virginia are 60 per cent. greater than the capital and surplus of the national banks of the States of Louisiana and Mississippi combined, including the City of New Orleans, while the loans and discounts by the national banks of Virginia are more than three times as great as the loans and discounts in the national banks of Louisiana, including New Orleans.

While the capital and surplus of the national banks of Georgia largely exceed the combined capital and surplus of the national banks of the States of both Mississippi and Louisiana, the loans and discounts made by the national banks of Georgia exceed by \$13,000,000 the loans and discounts of all the national banks of Louisiana and Mississippi combined, including the City of New Orleans.

The capital and surplus of the national banks of Texas amount to four times as much as the capital and surplus of the national banks of the States of Louisiana and Mississippi combined, and the individual deposits in the national banks of Texas also amount to about four times as much as the individual deposits of all national banks in Louisiana and Mississippi, the only states from which New Orleans received as much as half a dozen votes as first choice for the location for a Federal Reserve Bank.

### Kansas City District.

The region in the middle and far west presented problems of difficulty. Careful consideration was given to the claims of Omaha, Lincoln, Denver and Kansas City, which conflicted in this region. Denver asked for a district which included Idaho, Montana, Utah, Wyoming, Colorado, New Mexico and the eastern two-thirds of Arizona and Texas, Kansas and Nebraska west of the 100th meridian, and the Deadwood portion of South Dakota. The district gave approximately the minimum capital provided by law. Of the territory included in this district, Montana unanimously requested to be connected with Minneapolis or Chicago, saying that she had little or no trade relations with Denver. Idaho desired to go to Portland or San Francisco; Arizona preferred San Francisco, and the greater part of New Mexico asked for Kansas City. Western Texas, Kansas and Nebraska unanimously protested against going to Denver. Kansas desired Kansas City; Nebraska preferred Omaha or Lincoln; and Texas wanted either a Texas city or Kansas City or St. Louis.

In the poll of banks Denver received 136 first choice votes, of which 112 were from Colorado and 12 from Wyoming. With Montana, Idaho, Arizona, Texas, Kansas and Nebraska in opposition, it was clearly impossible to make a district with Denver as the location of a bank. Part of the territory asked to be assigned to San Francisco, and the other part to Minneapolis or Kansas City.



Omaha asked for a district embracing Western Iowa, all of Nebraska, part of South Dakota, part of Kansas, Colorado, Utah, Wyoming, Idaho and Montana. All but 8 of the banks in South Dakota insisted upon being connected with Minneapolis; Iowa desired to go to Chicago; Kansas practically unanimously voted for Kansas City; Montana protested against any other connection than Minneapolis or Chicago. The preferences of the other States have already been indicated.

Of the 218 banks which expressed a first preference for Omaha, 181 were from Nebraska. The Committee had to consider the State of Oklahoma and part of Missouri in connection with this region, and in District No. 10, 497 banks expressed a first preference for Kansas City, Western Missouri, Oklahoma and Kansas, and part of New Mexico, especially asked for this connection. Thirty-seven banks in Colorado gave Kansas City as second choice and 26 gave Omaha.

It seemed impossible to serve the great section from Kansas City to the Mountains in any other way than by creating a district with Kansas City as the headquarters, or to provide for the northwestern section except by creating a district with Minneapolis as headquarters. The only other thing that could have been done with Nebraska, under the conditions which presented themselves, was to relate her to Chicago, and this seemed to be inadvisable in the circumstances. The Kansas City banks serve a very distinctive territory and will serve it more satisfactorily than St. Louis could have done. The relations of that territory on the whole are much more largely with Kansas City than with any other city in the Middle West, with which it could have been connected. It will, of course, be recognized by those who are informed that of the four cities, Kansas City is the most dominant banking and business center. The following statistics as of March, 1914, will throw light on the situation:

	Capital and Surplus	Loans and Discounts	Individual Deposits
Kansas City.....	\$11,660,000	\$66,205,000	\$40,415,000
Omaha.....	6,570,000	32,848,000	27,258,000
Denver.....	7,545,000	28,022,000	34,124,000
Lincoln.....	1,330,000	6,066,000	4,439,000

The statistics of growth during the nine years from September, 1904, to March, 1914, are significant:

#### CAPITAL AND SURPLUS.

	September 1904	March 1914	Percentage of Increase
Kansas City.....	\$3,900,000	\$11,660,000	199
Omaha.....	3,880,000	6,570,000	69
Denver.....	3,325,000	7,545,000	127
Lincoln.....	768,000	1,330,000	73

#### LOANS AND DISCOUNTS.

	September 1904	March 1914	Percentage of Increase
Kansas City.....	\$35,598,000	\$66,205,000	86
Omaha.....	16,218,000	32,848,000	102
Denver.....	14,146,000	28,022,000	98
Lincoln.....	3,820,000	6,066,000	58

#### INDIVIDUAL DEPOSITS.

	September 1904	March 1914	Percentage of Increase
Kansas City.....	\$30,730,000	\$40,415,000	31
Omaha.....	15,728,000	27,258,000	73
Denver.....	27,798,000	34,124,000	22
Lincoln.....	3,283,000	4,439,000	35

The loans and discounts of all reporting banks and trust companies in Kansas City on June 4, 1913, amounted to \$91,686,000, exceeding by about \$7,000,000 the total loans and discounts of all banks and trust companies in the cities of Omaha, Denver and Lincoln combined.

The loans and discounts of the national banks alone in Kansas City also exceeded the sum total of the loans and discounts of all national banks in the cities of Omaha and Denver combined.

The great preponderance in the movement of trade in District No. 10 is to the east. In order to place the Federal Reserve Bank for that region in Denver it would have been necessary to disregard these facts and the opposition and earnest protests of banks,—both national and state—throughout the District.

#### The Richmond District.

The Committee named as cities for the location of Federal Reserve banks: New York, Chicago, Philadelphia, St. Louis, Boston and Cleveland. In population, these are the six largest cities in the United States; their geographical situation and all other considerations fully justified their selection.

San Francisco and Minneapolis were the first choice of the great majority of the national banks in their respective sections, and their financial, industrial and commercial relations and other factors entitled them to be chosen. Their selection appears to have evoked no criticism, but to have received general approval. Conditions relating to the Kansas City, Dallas and Atlanta districts have been dealt with.

For the territory from eastern Georgia to the Pennsylvania line, the Committee, after fully considering all the facts, decided to create a district with the Federal Reserve Bank at Richmond. South Carolina and North Carolina had protested against being connected with a bank to the south or west. They said that their course of trade was northeast. It seemed undesirable to place a bank in the extreme northeastern corner or at Baltimore, not only because of its proximity to Philadelphia, but also because the industrial and banking relations of the greater part of the district were more intimate with Richmond than with either Washington or Baltimore. The States of Maryland, Virginia, West Virginia, North and South Carolina and the District of Columbia had to be considered. North Carolina, South Carolina and Virginia preferred to be connected with Richmond. West Virginia was divided in its preferences; Maryland and the District of Columbia, of course, desired Baltimore or Washington. In the poll of banks made directly by the Comptroller's office, Richmond received more first choice ballots than any other city in the district, 167 against 128 for Baltimore, 35 for Pittsburgh, 28 for Columbia, S. C., 37 for Cincinnati and 25 for Washington, D. C. Of the remaining 21 votes, 19 were for Charlotte, N. C., and 2 for New York. Leaving out the States of Maryland and Virginia, Richmond received from the rest of the district three times as many first choice votes as were cast for Baltimore.

District No. 5 is composed of the States of Maryland, Virginia, West Virginia (except four counties) North and South Carolina, and the District of Columbia. These States have always been closely bound together commercially and financially and their business dealings are large and intimate. The reports made to the Comptroller of the Currency on March 4, 1914, by all the national banks in each of these states show in every essential respect that the business of the national banks in Virginia, including Richmond, is greater than the business of the national banks of Maryland, including Baltimore, or any other of the five States embraced in District No. 5, as appears in the following table:

	Capital, Surplus and Undivided Profits	Loans and Discounts	Total Individual Deposits
Virginia.....	\$33,544,631	\$107,410,063	\$90,887,858
Maryland.....	31,390,057	91,326,942	83,217,376
West Virginia.....	18,209,346	56,789,538	61,421,332
North Carolina.....	13,527,086	44,051,033	36,051,154
South Carolina.....	10,332,439	28,860,456	23,330,916
District of Columbia.....	12,685,411	26,253,432	29,520,053

Advocates of New Orleans have criticized the decision of the Organization Committee and have given out comparative figures as to New Orleans, Richmond and other cities which are incorrect and misleading. An analysis and study of the actual figures will be found instructive and can lend no support to the claims of New Orleans.

From the sworn special reports recently submitted to the Comptroller of the Currency, it appears that the national banks in Richmond were lending in the thirteen Southern States, on January 13, 1914, more money than was being loaned in those states by the national banks of any other city in the country except New York. The total loans and discounts in the thirteen Southern States by the four cities referred to are as follows:

Richmond.....	\$33,473,000
Baltimore.....	6,891,000
New Orleans.....	19,477,000
Washington.....	915,000

The figures also show that in these portions of District No. 5 outside of the States of Virginia and Maryland, the Richmond national banks are lending twice as much money as all the national banks in Baltimore and Washington combined. They also show that although Richmond is not a Reserve City, the banks and trust companies in the thirteen Southern States had on deposit in the national banks of Richmond on February 14, 1914, \$9,876,000, or slightly more than the banks of this section had on deposit in the city of Baltimore, and four times as much as they carried in Washington, although these two cities have long enjoyed the benefits of being Reserve Cities. That Southern banks should carry larger balances in Richmond, where they could not be counted in their reserves, rather than in Baltimore, or Washington, where they could be counted, is suggestive.

The figures show that the capital and surplus of all reporting banks,—national, state and savings and trust companies,—per capita, in Richmond, as of June 4, 1913, was \$131; in Baltimore, \$85; in Washington, \$88, and in New Orleans, \$60, while the loans and discounts made by all banks and trust companies in Richmond, on the same date, amounted to \$393 per capita, against \$190 in Washington, \$213 in Baltimore and \$194 in New Orleans.

The amount of money which banks and trust companies in the various parts of the country carried on deposit with Richmond—a non-reserve city, on February 14, 1914, amounted to \$10,970,000, or nearly twice as much as the balances carried by outside banks with the national banks of Washington, which on the same day amounted to \$5,516,000, and one and a half times as much as they carried on the same day with the national banks of New Orleans—a Reserve city.

The statistics furnished the Organization Committee show that on March 4, 1914, the capital and surplus of the national banks of Richmond, per capita, amounted to more than twice as much as the capital and surplus, per capita, of the national banks of either Baltimore or Washington and three and a half times as much as New Orleans, while the individual deposits of the national banks of Richmond amounted to \$201 per capita, against \$86 for Washington and \$76 for Baltimore and \$50 for New Orleans. The loans and discounts in the national banks of Richmond on the same date were reported at \$279 per capita, against \$77 for Washington and \$108 for Baltimore and \$51 for New Orleans.

Especially significant are the following statistics showing the growth in capital and surplus, loans and discounts, and individual deposits of national banks in the three cities named:

#### CAPITAL AND SURPLUS.

	September 1904	March 1914	Percentage of Increase
Richmond.....	\$3,115,000	\$9,314,392	199
Washington.....	6,215,000	11,365,000	83
Baltimore.....	18,262,900	19,205,900	5
New Orleans.....	6,250,000	6,730,000	8

#### LOANS AND DISCOUNTS.

	September 1904	March 1914	Percentage of Increase
Richmond.....	\$12,946,000	\$35,593,000	175
Washington.....	15,018,000	25,405,000	69
Baltimore.....	48,755,000	60,312,000	23
New Orleans.....	20,088,000	17,285,000	Decrease 13

#### INDIVIDUAL DEPOSITS.

	September 1904	March 1914	Percentage of Increase
Richmond.....	\$11,257,000	\$25,705,000	128
Washington.....	20,017,000	28,491,000	42
Baltimore.....	40,910,000	42,553,000	4
New Orleans.....	19,425,000	16,857,000	Decrease 13

In other words, the figures show that the national banks of Richmond were lending on March 4, 1914, twice as much money as all the national banks in the city of New Orleans and 40 per cent. more than all the national banks of Washington.

In the original decision of the Committee the various economic and other factors which entered into and determined the Committee's action were enumerated and need not be repeated here. This statement is made for the purpose of disclosing some of the details which influenced the Committee's findings.

#### Second Notice.

On April 30, the Organization Committee sent out the following second notice calling for stock subscriptions to be made:

In order to expedite the organization of the Federal Reserve Bank in your district you are AGAIN REQUESTED to forward to this office, at your early convenience, your application for an allotment of stock.

The form of application, notice from the Comptroller of the Currency and from the Organization Committee, as required by the terms of the Federal Reserve Act, were mailed you on April 8th.

A compliance with the provisions of the Act makes it necessary that YOUR APPLICATION SHOULD BE FORWARDED NOT LATER THAN MAY 8th—that is, within thirty days after notice. It is of course desirable that the Federal Reserve banks should be placed in operation as soon as possible, and to insure this the cooperation of member banks is important.

Initial payment on these subscriptions need not be made until an official call is issued therefor, either by the Organization Committee or the Federal Reserve Board, at which time definite instructions will be given as to where such payments should be made, and in what manner. Information will also be furnished as to how this account should be handled in your general ledger.

In filling in the blank form of application your attention is called to the space left on the face, in which should be stated the amount represented by SIX PER CENT. of your CAPITAL AND SURPLUS, as shown by the books of your bank at the time of making application.

Full directions as to how this amount is to be figured, as well as the manner in which you should handle any excess in this amount not divisible by one hundred, may be found in the printed "Note" on the reverse side of the blank. On the same side the information called for should be supplied in each of the spaces prepared therefor, INCLUDING THE SIGNATURES of three or more of your directors.

It is also necessary that the SEAL OF YOUR BANK SHOULD BE AFFIXED in the proper place.

THE NATIONAL CITY BANK OF NEW YORK

